

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JANUARY 19, 1999
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on January 19, 1999 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees
Recommendations of Administrative Law Judges
Investigatory Matters
Personnel Matters
Closed Session Minutes**

Member Vickrey seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:45 p.m.

Board Minutes

Member Scrogum moved **that the Board approve the minutes from the open and closed sessions of the November 30/December 1, 1998 regular meeting.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman reminded the audience that Gayl Pyatt had been nominated to serve as a member of the University of Illinois Board of Trustees. He announced that due to the lack of confirmation by the Illinois Senate, none of the appointments made by outgoing Governor Edgar were approved. Gayl, who did not resign her position, will remain a Member of the Gaming Board.

The Chairman noted one addition to the agenda. He stated that Casino Rock Island will make an initial presentation for a waiver pursuant to Board rule 3000.510.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports for December: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator reported that, overall, the two gaming taxes (Admissions and Receipts) generated \$337 million, in calendar year 1998, an increase of \$76 million over 1997. He further stated that had the gaming receipts tax rate remained at a flat 20 percent, overall taxes would have increases by only \$10 million.

The Administrator also reported that he authorized the withdrawal of the Form 1 application filed by Kenneth Hardesty. Mr. Hardesty sought approval as a Key Person of supplier licensee Casino Data Systems ("CDS"). He left the employ of CDS when a past criminal conviction was revealed.

Owner Licensee Items

EMPRESS CASINO JOLIET ("Empress") represented by Michael Hansen, SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES, INC. ("SIRCC") represented by Michael Crider, and CASINO ROCK ISLAND ("CRI") represented by CJ Graham, jointly requested for initial consideration, a waiver of Board rule 3000.510.

SIRCC – Michael Ficaro, representing SIRCC, requested initial consideration for renewal of its owner's license.

PAR-A-DICE GAMING COMPANY ("PGC") – David Daley, representing PGC, requested approval for a waiver of Board rule 300.510 to conduct top-end overhauls on the main generators and to conduct its dry-dock extension examination.

Member Scrogum moved **that the Board approve Par-A-Dice's request for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow Par-A-Dice to conduct gaming while remaining dockside for a limited time period while preventive maintenance is being performed on the two main generator sets and in conjunction with an underwater hull inspection of the M/V Par-A-Dice Vessel.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY ("AGC") – The Administrator stated that AGC was required by the Board at the October, 1998 Board meeting, through a renewal resolution, to comply with numerous conditions no later than December 31, 1998. Administrator Belletire stated that AGC has taken steps in each of the ten areas covered in the Board's renewal resolution. The Administrator recommended to the Board that a proposed resolution be adopted that would acknowledge AGC's compliance and place the responsibility on AGC to document at the October, 1999 renewal, full implementation of improvements that are still pending or underway.

The Administrator further noted that related to the above requirements, Board staff and Argosy officials have acted to compel Argosy shareholder Jimmy Connors to take steps necessary to properly file disclosure information. Mr. Connors has finally complied with his obligations.

Member Pyatt moved that **WHEREAS, the Board finds that Alton Gaming Company has made substantial progress in meeting the requirements for relicensure adopted by the Board on October 20, 1998;**

WHEREAS, several of the initial measures and organizational changes undertaken or agreed to by Alton Gaming Company in response to the Board's requirements necessitate additional time to be fully and successfully implemented; and,

WHEREAS, Alton Gaming Company management has, in various submissions to the Administrator, agreed to fully implement specific operating and organizational changes.

NOW THEREFORE BE IT RESOLVED that, in conjunction with its 1999 renewal application, Alton Gaming Company shall provide the Board sufficient evidence demonstrating implementation of its various commitments to the Board, including but not limited to the following:

**Completion of all elements of the detailed analysis and evaluation of its Internal Control System.
Implementation of its revised management structure and the related personnel changes.
Retention of a Training Manager and implementation of its proposed training plan for 1999.
Implementation of a revised Internal Audit program and related personnel changes.
Implementation of the proposed capital budget plan for 1999.
Demonstration of adherence to its revised internal disciplinary system for employees and to its revised procurement system.**

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Brenda Bauer, representing AGC, requested approval of her Form 1 application to be General Manager of the Alton Belle.

Chairman Johnson thanked Ms. Bauer for the steps AGC has taken to comply with the Board order.

Member Browder moved **that the Board approve Brenda Kay Bauer as a Level 1 Occupational Licensee of Alton Gaming Company.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Ms. Bauer thanked the Administrator and staff for their cooperation and assistance concerning AGC's challenges. Ms. Bauer introduced former Senator Pat Dodd from New Jersey who has been retained by Argosy to oversee a compliance review process.

CASINO QUEEN – Bill Roberts, representing Casino Queen, requested approval of John Gedris as Casino Manager.

Member Browder moved **that the Board approve John V. Gedris as a Level 1 Occupational Licensee of Casino Queen, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

CRI – CJ Graham, representing CRI, requested approval of Lamar Lucas as Director of Security.

Member Browder moved **that the Board approve Lamar E. Lucas as a Level 1 Occupational Licensee of Casino Rock Island.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS – Michael Hansen, representing Empress, requested approval of David Fendrick as General Manager.

Member Scrogum moved **that the Board approve David F. Fendrick as Level 1 Occupational Licensee of Empress Casino Joliet.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORTS (“ERR”) – Donna More, representing ERR, requested approval of Eric Dale as Director of Slot Operations.

Member Vickrey moved **that the Board approve Eric James Dale as a Level 1 Occupational Licensee of Elgin Riverboat Resorts.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Scrogum moved **that the Board approve 187 applications for an Occupational License, Level 2, and 362 applications for an Occupational License, Level 3, and deny 3 applications for an Occupational License, Level 2 and 6 applications for an Occupational License, Level 3.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Chief Counsel Cusack reported that Ms. Barbara Anop, an employee at SIRCC, has requested that the Board reduce her suspension from 30 days to 15 days. Staff recommends that the Board approve the reduction of her suspension.

Having reviewed the staff’s report, Member Vickrey moved **that the Board not amend disciplinary complaint number 98-22 issued against Barbara Anop.** Motion died for lack of second. No additional motion was offered.

Complaints & Disciplinary Actions

The Administrator stated that a series of minor incidents have cumulatively resulted in a breach of responsibilities in operations involving the drop and count at the Par-A-Dice. The incidents date back eight or nine months. The licensee has responded by taking a number of steps to address the circumstances. The Administrator recommended that a disciplinary complaint be considered by the Board.

Member Pyatt moved **to issue a disciplinary complaint against Par-A-Dice Gaming Company and fine the licensee in the amount of \$10,000. The complaint pertains to repeated Internal Control violations by Par-A-Dice’s hard count personnel.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Browder moved **that the Board issue a disciplinary complaint against David Ortiz and revoke his license. The complaint pertains to Mr. Ortiz’s involvement in causing a dealer’s gratuity not to be deposited in the pool for pro-rata distribution.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

The Administrator stated that staff has reviewed a request and written definitions for two new games (Spanish 21 and Three Card Poker). The Administrator also noted that both games, once approved, would require Internal Control procedures to be submitted by any licensee wishing to offer the game.

Chairman Johnson asked how Masque Publishing is to receive royalties for the game, Spanish 21. Don Retzlaff, Director of Table Games for AGC, stated that the licensee (i.e. Alton Gaming Company) would pay a flat fee of \$405 per month to Masque Publishing for use of the intellectual property rights to this game.

The Chairman asked if Masque Publishing would have to be a licensed supplier. Administrator Belletire stated that the current rules and regulations do not require Masque Publishing to be licensed. Staff suggest new rules to require that royalty agreements be subject to prior approval by the Administrator for the purpose of determining if there is a supplier

relationship and to insure that the contract contains a clause that allows the contract to be cancelled in the event that the Board determines that licensure is required.

The Chairman asked if there was any relationship in regards to Three Card Poker that also provides a royalty payment stream. Janis Kielbasa, Executive Assistant to the Administrator, stated that the royalty payment would be made directly to the proprietor of the game as opposed to a middle person. The licensee would make the payment.

The Chairman stated that for each game two payments would be made by the owner licensee. A royalty payment for the intellectual property rights and a payment to the supplier of the gaming layout. He expressed concern that only one of the providers will be licensed.

Member Vickrey asked if Spanish 21 is offered in Missouri. Mr. Retzlaff stated that the game is offered in Nevada, Mississippi and Iowa at this time. Member Vickrey asked Mr. Retzlaff why AGC is interested in Spanish 21. Mr. Retzlaff stated that AGC is interested in getting some variation on its gaming floor and to remain competitive.

Member Vickrey noted that the house edge is approximately .8 percent. He asked if there are other games where the house edge is less than .8 percent. Mr. Retzlaff responded that basic Blackjack itself could be stated as less than .8 percent.

Pursuant to Board rule 3000.605, Member Vickrey moved that the Board authorize the games Three-Card Poker and Spanish 21 as approved games. He further moved that the Board direct the Administrator to include these games and the definition of these games on the list of Board-approved games and that these games not become authorized for play at any casino until approved by the Administrator for each owner licensee requesting to offer these games. The motion failed for lack of second.

Member Scrogum asked that the motion be held until after the discussion of Revenue "Participation" by supplier licensees.

The Administrator stated that there are no rules or regulations that prohibit a licensed supplier from entering into an agreement with an owner licensee to take a percentage of gaming revenues. Though there is no rule, in practice such participation relationships have effectively been prohibited by staff direction. A request by suppliers has been made to approve a revenue sharing relationship. The Administrator stated that due to changes in the industry, several of the newer EGD products are being leased to owner licensees due to the popularity of the game. He stated, for example, that the "Wheel of Fortune" EGD is currently being leased to Illinois owner licensees for a payment of \$80 per day or \$30,000 a year. The suppliers are setting lease amounts based upon projected average daily play ("coin in") or win for the machines.

The Administrator offered one tangible argument for "protecting" Illinois casinos from "unfair" pricing. The least successful Illinois operators, such as Casino Rock Island, do not have the volume of traffic necessary to justify leases at \$80 a day, and the supplier (IGT) will not lease the machine on a "percent of revenue" basis. The unavailability of the popular new EGDs serves to exacerbate CRI's overall problems. Patrons tend to seek out casinos with the newer devices. The Administrator stated that in the end the higher costs will be passed on to the players by having lower payouts on EGDs.

The Administrator stated that staff is continuing its investigation of pricing issues. Staff is trying to determine if the prices being charged in Illinois are the same as what is being charged in other states.

Chairman Johnson asked if a supplier is required to maintain a uniform price when making a sale or a lease to an Illinois licensee. The Administrator stated that the Board has no rules and staff does not monitor pricing. The Administrator also stated that other than volume discounts or other legitimate trade activity the prices should be the same across licensees. The Chairman said it would be helpful to have the variation in pricing structures provided to Illinois licensees.

Member Scrogum asked if the issue of Revenue "Participation" by supplier licensees has been addressed by other jurisdictions. The Administrator stated that other jurisdictions are more receptive to these approaches.

The Chairman asked the staff to obtain feedback from the owners and suppliers about Revenue "Participation" and fair market determination.

Member Vickrey **renewed the previous motion.** Member Scrogum seconded the motion. The Board approved the motion by a three to two vote.

PROPOSED RULES – The Administrator stated that staff proposes two draft rules as a result of a request from owner licensees regarding tournament activity. He stated that tournament activity is an organized activity set around a casino game in which the contest is to try to prevail by accumulating the most “winnings.” Licensees would like to utilize special EPROMs in EGD tournaments. These special EPROMs allow up to “999.99 percent” payouts, allowing tournament participants to accumulate substantial “point totals” in the contest.

The proposed rules allow for tournaments to be conducted with the aforementioned “tournament EPROMs” and tournament (table game) chips. Licensees also requested that the Board permit owner licensees to conduct table game tournaments with the use of a special set of chips that are other than the required Value and Non-Value (i.e., Roulette) chips currently authorized by our rules.

Additionally, the current definition of a “tournament” requires patrons to engage in “wagering” at a game. The definition was redefined to state that an entry fee can be paid by the house rather than the patron and that “wagering” need not be conducted in a contest.

Member Vickrey moved **that the Board approve the initial filing of the following proposed definitions and rules with the Secretary of State:**

The new definition of the term “tournament EPROM”;
New Board rule 3000.631; and,
The revisions to Board rules 3000.614 and 3000.660.

Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Belletire stated that he has expressed to the Board his desire to resign his position and to pursue other career opportunities. The Board asked for a 90-day transition period.

There being no further business to come before the Board, Member Pyatt moved **that the Board stand adjourned.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:12 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board